

Message Text

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ACTION EA-14

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NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 STR-08 CEA-02

EUR-25 DRC-01 /190 W

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R 100722Z SEP 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4055

INFO AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 CANBERRA 5936

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT, EGEN , AS

SUBJECT: THE AUSTRALIAN SCENE-- A SEA OF TROUBLES

REF: CANBERRA 5889

1. SUMMARY: A SWERIES OF BAISC, COMPLEX AND INTERRELATED PROBLEMS CONTINUE TO WEAKEN THE AUSTRALIAN LABOR GOVERNMENT. A DESCRIPTION OF THESE PROBLEMS , THE RELATIVE INACTION THE GOVERNMENT HAS SO FAR SHOWN IN COMING TO GRIPS WITH THEM, AND THE IMPLICATIONS FOR AUSTRALIAN-7.S. RELATIONS ARE SET FORTH BELOW. END SUMMARY

2. AFTER A YEAR OF CONFIDENCE AND EXPERIMENTATION IN 1973 AND EARLY 1974, THE AUSTRALIAN LABOR GOVERNMENT AND THE COUNTRY ARE ENCOUNTERING A SERIES OF COMPLES PROBLEMS
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WHICH ARE INTERACTING IN A DISTURBING AND UNFAMILIAR FASHION. WHILE NOT NECESSARILY INTERRELATED, THESE

PROBLEMS TOGETHER MAKE UP A SEA OF TROUBLES, ON WHICH AUSTRALIA IS NOW TOSSING ABOUT UNCOMFORTABLY. THE COINCIDING IMPACT OF THESE PROBLEMS IS BEGINNING TO FORCE A GREATER MOOD OF INTROSPECTION WHICH IS LIKELY TO DOMINATE THE POLITICS OF THIS COUNTRY FOR SOME TIME.

3. OCCUPYING FIRST RANK AND EXACERBATING ALL OF AUSTRALIA'S CURRENT PROBLEMS IS THE IMPACT OF INFLATION. THIS IS CONSIDERED IN SOME DETAIL IN REFTEL. ASIDE FROM INFLATION, BASIC INTERNAL PROBLEMS CONFRONTING AUSTRALIA AS FOLLOWS:

A) DECLINE IN SUPPORT FOR LABOR GOVERNMENT- POPULARITY POLLS, IS WANING FAST. MORGAN GALLUP POLL, PUBLISHED AUG 14, SHOWED LABOR SUPPORT HAD FALLEN TO 43 PERCENT, COMPARED TO 49.3 PERCENT AT MAY ELECTIONS. AUSTRALIAN SALES RESEARCH BUREAU POLL PUBLISHED AUG 17 SHOWED ALP SUPPORT HAD FALLEN TO 41.7 PERCENT COMPARED TO MAY ELECTIONS. AUSTRALIAN NATIONWIDE OPINION POLLS (WHICH ALP CONSIDERS IS MOST RELIABLE OF LL) PUBLISHED SAMPLING SEPT 6 SHOWING ALP AS HAVING 45 PERCENT OF VOTE. ANOP POLLTAKERS NOTED THAT THEIR SAMPLE WAS CONFINED TO EAST COAST BIG CITIES, ADDING THAT LABOR SUPPORT IN COUNTRY AS A WHOLE WOULD HAVE BEEN WORSE. CLEAR THRUST OF ALL THREE POLLS IS THAT IF PRESENT TRENDS CONTINUE, LABOR WILL LOSE NEXT ELECTIONS.

B) WHITLAM'S LEADERSHIP UNDER QUESTION- WHITLAM'S INFLUENCE IN LABOR PARLIAMENTARY CAUCUS, WHICH HAS GREAT INFLUENCE ON GOVERNMENT POLICY, HAS SIGNIFICANTLY DECLINED IN LAST SIX MONTHS. COALITION OF RIGHT, LEFT, AND CENTER ELEMENTS IN CAUCUS, EACH WITH DIFFERENT MOTIVES, HAS OPPOSED WHITLAM ON DETAILS OF ECONOMIC POLICY, AND HIS ABILITY TO ENFORCE HIS WILL WITHIN ALP HAS BEEN NOTABLY REDUCE. OPPOSITION LEADERSHIP IS ALSO SLIPPING IN PUBLIC OPINION POLLS AND IS GENERALLY WEAK IN EXPLOITING PRESENT SITUATION. HOWEVER, OVERALL IMPRESSION OF LABOR WEAKNESS MAKES GREATER PUBLIC IMPACT, SINCE LABOR CONTROLS GOVERNMENT.

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C) SPECTOR OF ANOTHER ELECTION- AND ANOTHER- INFLUENCED BY CLOSENESS OF MAY ELECTIONS AND ENCOURAGED BY POLLS AND SIGNS OF WHITLAM'S FAILING LEADERSHIP, OPPOSITION GIVES EVERY INDICATION OF CONTINUING TO QUESTION GOVERNMENT LEGISLATIVE AND ADMINISTRATIVE PROGRAM. WHITLAM HAS RULED OUT ELECTIONS IN LATE 1974 OR FIRST HALF OF 1975, BUT ALL INDICATIONS ARE THAT HE WILL SET STAGE FOR DOUBTLESS DISSOLUTION, POSSIBLY FOR LAST HALF OF 1975, WITH INTENTION OF CARRYING DEFEATED

LEGISLATION THROUGH ANOTHER JOINT SITTING. HOWEVER, IF POLLS ARE ANY GUIDE, LABOR WILL NOT WIN NEXT ELECTION. WE DO NOT SEE THAT OPPOSITION IS ANY BETTER PREPARED TO DEAL WITH MANIFOLD PROBLEMS FACING AUSTRALIA, AND PROSPECTS ARE THAT OPPOSITON-LED GOVERNMENT WOULD NOT BE LONG IN OFFICE. FAST IS THAT ELECTORATE IS VERY EVENLY BLANCED, WITH SWING VOTE PROBABLY GROWING, MAKING FREQUENT CHANGES OF GOVERNMENT LIKELY.

D) FEDERAL-STATE RELATIONS STRAINED- AUSTRALIAN STATES ARE IN QUERULOUS AND REBELLIOUS MOOD, PINCHED BY RISING COSTS AND INDEQUATE REVENUES. ON SURFACE AUSTRALIAN STATES HAVE BROADER POWERS THAN U.S. STATES, BYT THEY TRANSFERRED INCOME TAX POWER TO FEDERAL GOVERNMENT DURING WARTIME ATMOSPHERE IN 1943 AND NOW, ASSAILED BY INFLATION, ARE UNABLE TO MOVE AS THEY THINK THEY MUST. WHITLAM'S OFTEN- STATED WISH THAT STATES BE REDUCED BY FEDERAL GOVERNMENT AND WITH BOUN- DARIES DRASTICALLY REDRAWN IS FURTHER IRRITANT TO FEDERAL-STATE RELATIONS.

E) VIRTUAL COLLAPSE OF ARBITRATION SYSTEM- AUSTRALIA'S INNOVATIVE COMPULSORY WAGE ARBITRATION SYSTEM, DAMAGED BY INFLATION HAS VIRTUALLY COLLAPSED IT HAS BEEN FURTHER DAMAGED BY ENTHUSIASM OF MINISTER FOR LABOR CAMERON FOR COLLECTIVE BARGAINING SYSTEM. HOWEVER, CAMERONS HAS CONDEMNED SALARY AGREEMENT REACHED AMICABLY BETWEEN QUANTAS AIRLINE EMPLOYEES AND MANAGEMENT ON GROUNDS SETTLEMENT IS INFLATIONARY. CAMERON ATTITUDE HAS BEEN DENOUNCED BY ACTU, AND ENSURING CONFLICT HAS DAMAGED INTERNAL UNITY OF ALP AND OF LABOR PARLIAMENTARY
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CAUCUS.

F) SECTORAL CLEAVAGES- BASIC SECTORAL CLEAVAGES IN AUSTRALIAN SOCIETNY (BETWEEN STATES, BETWEEN SOCIAL CLASSES, BETWEEN OCCUPATIONAL GROUPS) HAVE SHARPENED ALL OF ABOVE DIFFERENCES. THE FACT THAT PARTIES RE CLASS-BASED , IN LARGE PART, MAKES IT ALL THE MORE DIFFICULT TO ACHIEVE POLITICAL COMPROMISE, NOR DOES THE ROUGHT AND TUMBLE WAY AUSTRALIANS GO ABOUT THEIR POLITICIS IMPROVE PROSPECTS FOR RECONCILING DIFFERENCES.

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NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 STR-08 CEA-02

EUR-25 DRC-01 /190 W

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R 100722Z SEP 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4056

INFO AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

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CINCPAC

C O N F I D E N T I A L SECTION 2 OF 2 CANBERRA 5936

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SUBJECT: THE AUSTRALIAN SCENE-- A SEA OF TROUBLES

EF: CANBERRA 5889

THE KEY PROBLEM RIGHT NOW, OF COURSE, IS INFLATION.
THE TRADE UNIONS HAVE SO FAR TURNED DEAF EAR TO GOVERN-
MENT PLEASE FOR RESTRAINT IN WAGE DEMANDS. "I'VE GOT
MINE, JACK" SEEMS TO BE THE NATIONAL ATTITUDE. HOW,
THEN, CAN THE VARIOUS AUSTRALIAN SOCIAL SECTORS AND
INTEREST GROUPS PRODUCE THE NECESSARY SPIRIT OF MUTUALLY
REINFORCING DISCIPLINE TO COPE WITH THE NUMBER ONE
ISSUE RIGHT NOW- INFLATION?

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4. GOVERNMENT ACTIONS - INACTION SO FAR- GOVERNMENT
OF AUSTRALIA IS HIGHLY CONSCIOUS OF INFLATION AND OTHER

PROBLEMS FACING IT, BUT HAS SHOWN UNCHARACTERISTIC LACK OF CONFIDENCE IN DEALING WITH THEM. REFTEL NOTES CONFUSION AND UNCERTAINTY IN GOVERNMENT EFFORTS TO DEAL WITH INFLATION. LABOR CABINET GENERALLY HAS BEEN PERCEIVED BY PUBLIC TO BE FLOUNDERING INDECISIVELY ON ISSUE. CLEAREST STATEMENT BY MAJOR GOVERNMENT FIGURE RECENTLY WAS THAT ISSUED BY DEPUTY PRIME MINISTER CAIRNS SEPT9, IN WHICH HE COMMENTED THAT " ANY MEASURES A GOVERNMENT MAY TAKE TO STEADY INFLATION NOW MAY RESULT IN SOME UNEMPLOYMENT. FAILURE TO RECOGNIZE THIS IS UNREALISTIC, WOULD MAKE SERIOUS POLICY MISTAKES MORE LIKELY, AND PROVIDE A FIELD DAY FOR POLITICAL HYPOCRISY." PRIME MINISTER WHITLAM HAS CALLED FOR SACRIFICE AND FOR REALISTIC LIMITATION ON DEMANDS OF VARIOUS SECTORS. HE IS STILL MOST POPULAR AUSTRALIAN LEADER, BUT HIS VIEWS APPEAR TO HAVE BEEN AT LEAST PARTLY REJECTED BY HIS OWN PARTY, AND THERE ARE NO CONVINCING ALTERNATIVE PROGRAMS PRESENTLY IN SIGHT. BUDGET BROUGHT DOWN SEPT 17 MAY CAST SOME LIGHT ON GOVERNMENT'S INTENTIONS, BUT MOST INDICATIONS ARE THAT HARD DECISIONS (AND POLITICALLY UNPALATABLE ONES, LIKE UNEMPLOYMENT) WILL BE AVOIDED TO EXTENT POSSIBLE. THIS WILL SOLVE VERY LITTLE AND LEAVE PRESENT TRENDS, ADVERSE TO GOVERNMENT, UNDISTURBED.

5. IMPLICATIONS FOR AUSTRALIAN U.S. RELATIONS- ABOVE CATALOGUE OF PROBLEMS IS LIKELY TO FOCUS ATTENTION OF GOVERNMENT AND SOCIETY ON DOMESTIC PROBLEMS, AT LEAST FOR SHORT-RANGE. WE NOTE THAT PRIME MINISTER AND OTHER GOVERNMENT MINISTERS HAVE NOT RECENTLY TAKEN ANY POT SHOTS AT U.S. AND HAVE MADE FEW COMMENTS ON FOREIGN AFFAIRS IN GENERAL. FOR VARIOUS REASONS, INCLUDING GOA'S PREOCCUPATION WITH INTERNAL AFFAIRS, THERE HAS RECENTLY BEEN A MORE FAVORABLE ATTITUDE TOWARD U.S. AND JOINT AUSTRALIAN -AMERICAN DEFENSE FACILITIES BY PRIME MINISTER AND OTHER MEMBERS OF CABINET , ALTHOUGH THEY WILL BE TARGET OF LEFT ON THIS ISSUE OVER NEXT FEW MONTHS. ON ECONOMIC FRONT, THERE IS INCREASING PRESSURE AND FOR DEVALUATION OF AUSTRALIAN DOLLAR TO

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RAISE COST OF IMPORTS COMPETING WITH AUSTRALIAN -MADE PRODUCTS.

FOR LONGER RUN , U.S. AUSTRALIAN RELATIONS WILL PROBABLY BE HEAVILY INFLUENCED BY GLOBAL DEVELOPMENTS. THE DIPLOMATIC POSTURING OF THE WHITLAM GOVERNMENT (ASPIRATIONS TO GREATER INFLUENCE IN THIRD WORLD, OSTENTATIOUSLY SHOWING ITS INDEPENDENCE OF 7S. ON CERTAIN ISSUES, AND ECONOMIC NATIONALISM) WAS MADE

POSSIBLE TO SIGNIFICANT DEGREE BY EXTRAORDINARILY FAVORABLE AUSTRALIAN DOMESTIC AND INTERNATIONAL ECONOMIC POSITION THAT PREVAILED UNTIL RECENTLY, AS WELL AS BY THE EUPHORIA OF "DETENTE." THESE CIRCUMSTANCES PROVIDED WHITLAM GOVERNMENT WITH SIDE FREEDOM OF MANEUVER IN TERMS OF BOTH DOMESTIC AND INTERNATIONAL ECONOMIC AND POLITICAL SITUATIONS.

THOUGH WE ANTICIPATE CONSIDERATION POLITICAL CHANGES OF GOVERNMENT, AUSTRALIA WILL INSIST ON MORE SURVEILLANCE AND AUTHORITY OVER ITS OWN ECONOMIC DEVELOPMENT. THIS VIEW DID NOT BEGIN WITH LABOR GOVERNMENT BUT HAS BEEN INTENSIFIED BY IT AND MADE A PERMANENT FEATURE OF THE LANDSCAPE. POLITICALLY ALSO, AUSTRALIA IS EVOLVING GOVERNMENTAL MECHANISMS TO COMPLEMENT ITS ASPIRATIONS FOR A POLITICAL POSTURE SEEN TO BE LESS SUBSERVIENT TO THE U.S. AND THE U.K. AND THIS CONTRIBUTES TO A PERMANENT CHANGE IN THE RELATIONSHIP.

HOWEVER, CIRCUMSTANCES IN THE FUTURE ARE LIKELY TO LIMIT ADVENTURING IN THE ECONOMIC AND POLITICAL FIELD BY WHATEVER AUSTRALIAN GOVERNMENT IS IN POWER. THERE ARE NUMEROUS FACTORS WHICH MAY TEND TO RESTORE A CLOSER IDENTITY OF RECOGNIZED INTEREST BETWEEN U.S. AND AUSTRALIA. THE VERY CRISIS WHICH AUSTRALIA IS AND WILL FOR SOME TIME BE UNDERGOING WILL CAUSE A PREOCCUPATION WITH DOMESTIC PROBLEMS -- ONE LIKELY TO INTERRUPT THE PATTERN AND BROAD GLOBAL INVOLVEMENT OF THE PAST YEAR OF SO AND SHAKE DOWN TO MORE REALISTIC PROPORTIONS RECENTLY EXAGGERATED CONCEPTS OF AUSTRALIA'S POTENTIAL FOR INDEPENDENT WORLD ACTION.

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AUSTRALIAN OUTLOOK SHOULD NOT BE REGARDED FROM EITHER OVERLY SANGUINE OR OVERLY PESSIMISTIC POINT OF VIEW. AUSTRALIA HAS DEVELOPPING AND SIGNIFICANT DOMESTIC PROBLEMS AT THE DOOR NOW, CRYING FOR ATTENTION AND ACTION. AT THIS POINT THEY ARE RECEIVING CONSIDERABLE ATTENTION BUT NOT MUCH ACTION
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